

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 EA-11 IO-13 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PA-03 USIA-15 PRS-01 L-03 H-03 /183 R

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DEFENSE:RBOOTEN

EUR/RPE:RMEIMA

COMMERCE:KKUWABARA

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R 022211Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA

INFO USMISSION GENEVA

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ETRD, AS

SUBJECT: GOVERNMENT PROCUREMENT: TRADE COMMITTEE WORKING PARTY;
OFFSETS

1. REQUIREMENT OF BUYING COUNTRY FOR OFFSETS AS ADDITIONAL
CONSIDERATION FOR AWARD OF CONTRACTS TO FOREIGN SUPPLIERS IS
UNFORTUNATE FACT OF LIFE IN AREA OF GOVERNMENT PROCUREMENT,
PARTICULARLY IN DEFENSE PURCHASES. PRACTICE IS COMMON TO COUNTRIES,
LIKE AUSTRALIA, WHICH SEE NEED TO DEVELOPE MODERN INDUSTRIAL
BASE. GOA MAY BE UNIQUE IN EXTENT TO WHICH OFFSET POLICY IS OVERT,
EMBODIED IN WRITTEN REGULATIONS, AND EXTENDED TO FIELD OF CIVILIAN
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PURCHASES CONSIDERATION OF OFFSETS IS STANDARD CANADIAN POLICY IN

ALL SIGNIFICANT GOC PURCHASES (E.G. COMPUTERS, AIRCRAFT, DEFENSE-ORIENTED PRODUCTS). OFFSETS ARE FEATURE OF GOVERNMENT PROCUREMENT POLICIES OF MOST EUROPEAN COUNTRIES, THOUGH USUALLY CONFINED TO DEFENSE PURCHASES.

2. DEPARTMENT CONCURS WITH COMMENT OF USOECD THAT OFFSET REQUIREMENT IMPLIES INVIDIOUS DISTINCTION BETWEEN FOREIGN AND DOMESTIC SUPPLIERS AND IS THEREFORE INCONSISTENT WITH PRINCIPLE OF NON-DISCRIMINATION CONTAINED IN PARA. 9 OF TFD/TD/720. IT SHOULD BE NOTED THAT THIS IS US VIEW WHICH MAY NOT BE SHARED BY OTHER PARTICIPANTS IN OECD EXERCISE. US VIEW IS EMBODIED IN ALTERNATIVE 1 OF PARA. 34, WHICH SPECIFICALLY PROHIBITS OFFSETS. TEXT OF ALTERNATIVE 1 READS: "IN NO CASE SHALL THE AWARD OF A CONTRACT BE MADE ON THE CONDITION THAT THE SUPPLIER LICENSE THE TECHNOLOGY INVOLVED TO ANOTHER FIRM, PROVIDE OFFSET PROCUREMENT OPPORTUNITIES, OR ON ANY OTHER CONDITION SIMILARLY INCONSISTENT WITH THE PRINCIPLE OF NON-DISCRIMINATORY PROCUREMENT." US LANGUAGE DOES NOT ENJOY WIDE SUPPORT.

3. DEPARTMENT AGREES PARTICIPATION IN OECD EXERCISE MAY BE USEFUL IN SENSITIZING GOA TO ISSUES POSED BY DISCRIMINATORY PRACTICES SUCH AS OFFSETS. HOWEVER, GOA WAS LATE AND INACTIVE PARTICIPANT IN DISCUSSIONS WHICH PRODUCED DRAFT INSTRUMENT NOW BEFORE TRADE COMMITTEE. WE HOPE GOA WILL GIVE CAREFUL STUDY TO ISSUES POSED BY DRAFT INSTRUMENT SO IT WILL BE ABLE TO MAKE A CONTRIBUTION TO TRADE COMMITTEE CONSIDERATION OF THE INSTRUMENT. ROGERS

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